[Glossary]

Investment Decision

Subject:	Business Economics
Course:	B. A. (Hons.), 3rd Semester, Undergraduate
Paper No. & Title:	Paper – 303 Business Finance
Unit No. & Title:	Unit – 2 Investment Decision
Lecture No. & Title:	Lecture – 1 Investment Decision Part - 1

Glossary

Accept reject criterion: The cost of capital is the minimum acceptable rate of interest below which no project should be accepted. Projects yielding higher return compared to cost of capital is accepted and projects yielding lower returns compared to cost of capital should be rejected.

Capital budgeting: It is the process of evaluating and selecting long term investments that are consistent with the goal of shareholder's wealth maximization.

Capital rationing: It is the financial situation in which a firm has only fixed amount to allocate among competing capital expenditures.

Conventional cash flow: It's an initial outflow of the project which is followed by series of inflows.

Mutually exclusive decision: In these kinds of proposals, the selection of one proposal precludes the choice of others.

Non conventional cash flow: This refers to the cash flow pattern in which initial outflow is not necessarily followed by cash inflows only.

Replacement decision: Replacement decisions are those decisions which are related to replacing of a fixed asset as fixed asset's economic life is expired or it has become obsolete. Such decisions improve the operating efficiency and helps in the reduction of cost. Here the relevant cash outflows are after tax incremental cash flows.